



Western States Minerals Corp.

250 South Rock Blvd. Suite 118
Reno, Nevada 89502

RECEIVED

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DIVISION OF
OIL, GAS AND MINING

January 15, 2001

Mr. D. Wayne Hedberg
Permit Supervisor
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

**Re: Request for Release of Performance Bond and Balance of Payment
Obligation—and Response to DOGM's Dec. 20, 2000 letter
Drum Mine Reclamation, Millard County, Utah
First Amended Settlement and Reclamation Agreement and
Sole Source Contract No. 006536**

Dear Wayne:

As we discussed on the telephone last week, Western States Minerals Corporation (WSMC) has completed its obligations referenced in Section 2 *Tasks to be Undertaken by Western* under the First Amended Settlement and Reclamation Agreement---at least, within the scope-of-work that was outlined within that Agreement. Mr. Jim Ashton's letter of January 9, 2001 gives you two possible alternatives toward further closure of the adits in the SWEX Pit which were created by Jumbo Mining Company. Please be aware that WSMC believes it has fully complied with the original scope-of-work envisioned for the adit closure, and has expended \$10,040.00 in the process. I believe \$20,000.00 was allocated to that task, and therefore \$9,960.00 remains from that allocation to complete the task. Although WSMC is soliciting bids from a Drilling & Blasting contractor for the two alternatives toward further closure of the adits---Please be aware that this is outside the original scope-of-work. Obviously, the remaining \$9,960.00 can be applied to these alternatives, but one or both of the sought after alternatives could cost more than the remaining funds.

WSMC is soliciting these bids on a good faith basis, and expect to have these to DOGM prior the end of January 2001. However, WSMC wants DOGM to immediately proceed with the release of our performance bond and the balance of payment obligations referenced in Section 2.2 *Partial payment of Western's Expenses*---less the \$9,960.00 referenced above. I want to thank you in advance for your expeditious handling of this matter.

Once our bond is released and the balance of payment has been made to Western, we expect a written notification of termination of this agreement as also referenced in Section 2 of the original Agreement. Once you have received the bids from the Drilling &

Blasting contractor and decide how you want to proceed with that project, WSMC is available to assist you with the continuation of that work. Please call John Carmody at (303) 425-7042 ext. 23 or myself at (775) 856-3339 ext. 13, if you have any questions or matters that you wish to discuss.

Sincerely,

A handwritten signature in cursive script, appearing to read "E. Gerick".

E.M. (Buzz) Gerick
Vice President of Operations

Cc: John F. Carmody—WSMC-Wheat Ridge Office